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USDOC FOR 3132/OIO/WZARIT/ADESARRAN
SECSTATE FOR EAP/CM
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E.O. 12958: N/A

TAGS: [BEXP](#) [CH](#) [ETRD](#) [ETTC](#) [OTRA](#) [PREL](#)

SUBJECT: MOFCOM DELIVERS LETTER FROM VICE-PREMIER WU YI FOR
SECRETARY GUTIERREZ; ASSAILS PROPOSED "CHINA RULE" AND

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CHANGES TO U.S. EXPORT CONTROL REGULATIONS TOWARDS CHINA

REF: BEIJING 16813

¶1. (U) Embassy's Commercial Minister/Counselor (SCO) and Export Control Officer (ECO) were summoned to a hasty meeting with Mdme. WANG Qinhua, Director-General, Department of Mechanical, Electronic and High Technology Industries, Ministry of Commerce (MOFCOM). The purpose of this meeting was for DG WANG to deliver a letter from Vice-Premier WU Yi to U.S. Department of Commerce Secretary Gutierrez, expressing her concerns regarding a proposed new regulation, which was published for public comment on July 6, 2006. This proposed regulation would impose export licensing requirements on certain dual-use commodities when destined for military end-uses in China, establish a new Verified End User (VEU) program that would eliminate the need for export licenses to authorized end-users and expand an existing requirement for U.S. exporters to obtain MOFCOM End-User Certificates. SCO and ECO met with DG WANG several weeks ago to receive MOFCOM's preliminary views on this proposed regulation (see reftel). (END SUMMARY)

¶2. (SBU) DG WANG presented SCO and ECO with a letter from Vice Premier WU Yi and asked that COMMOFFS transfer this letter to U.S. Commerce Secretary Gutierrez at the earliest opportunity. DG WANG characterized this as a "personal letter" from Vice Premier WU to Secretary Gutierrez and took pains to clarify that this letter should not be construed as China's official position on the proposed "China rule". DG WANG noted that MOFCOM has expended a great deal of resources on analyzing the proposed regulation and further stated that MOFCOM continues to study this closely. As before, DG WANG did not rule out a formal response by MOFCOM to this proposed "China rule", but indicated that it remains under consideration.

¶3. (SBU) Embassy translation of the letter follows:

(BEGIN TEXT) Respected Secretary Gutierrez: I note that the US Department of Commerce recently published a draft "Rule of Revisions and Clarification of Export and Re-Export Controls for the People's Republic of China; New Authorization Validated End-User". This new regulation, which has increased the items subject to export controls for China, unilaterally expanded the scope that requires issuance of end-user certificates by the Chinese Ministry of Commerce, and added to the commercial burden of enterprises of both countries, is

bound to exert an adverse influence on the normal development of Sino-US economic and trade relations. This step backwards in policy has led to questions and opposition from business sectors in both countries.

The trade imbalance is an issue of priority concern to the US side in Sino-US economic and trade relations, the proper handling of which requires joint efforts from both sides. In recent years, China has adopted a series of positive measures in order to expand imports from the US, including purchases by the Chinese business delegation that accompanied me during my visit to the US in April this year. At the same time however, the US side is violating the cooperative spirit by restricting exports to China. This is not only harmful to the US in terms of its comparative advantage in the bilateral trade, but will also send to the business communities in both countries a wrong signal that US policy toward China has retrogressed. I hereby express my strong dissatisfaction with regard to these actions of the US side.

I hope that the US side will earnestly attach importance to the concerns of the Chinese side, correct mistakes in a timely manner, take positive measures, promote Sino-US economic and trade cooperation, boost the confidence of Chinese and US businesses in pursuing high-tech trade, expand US high-tech exports to China, and do things that are beneficial to achieving a balance in bilateral trade. Mr. Secretary, I hope that you will be able to use your wisdom

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and influence to promote an early and proper resolution of this issue. Complimentary closing, Wu Yi, Vice Premier of the State Council, People's Republic of China (END TEXT)

NOTE: COMMOFFS will transmit original letter including courtesy translation by MOFCOM and Embassy translation to the Bureau of Industry and Security, US Department of Commerce.

LOOKING AHEAD TO THE WORKING GROUP

14. (SBU) DG WANG raised the upcoming first meeting of the U.S. - China Strategic Trade and High Technology Working Group, slated for September 26 through 28, 2006, in Washington, D.C., and expressed high hopes that this meeting will be productive.

15. (SBU) ECO noted that other MOFCOM officials have suggested that Vice Minister WEI Jianguo may lead the MOFCOM delegation to the Working Group meeting and asked if this has been confirmed. DG WANG responded that this was "highly likely", and stressed again that the important work of this group must continue regardless of whether VM WEI attends. In particular, DG WANG stated that she looked forward to meeting her counterpart, Mark Foulon, Deputy Under Secretary for the Bureau of Industry and Security, and engaging fully in all three days of meetings at the Department of Commerce. She further noted that ECO and her counterpart, JIANG Qianliang, Chief of Export Control Division I, have been engaged in working out details of a joint statement of principles.

16. (SBU) COMMENT: Post understands that planning for the High Technology and Strategic Trade Working Group is well underway and that the Chinese delegation will be afforded ample opportunity to share their views and seek further clarification on specific aspects of the proposed "China rule" during this meeting.

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